

NUTRITION SERVICES DIVISION MANAGEMENT BULLETIN		No. 00-109
TO:	All Sponsors of National School Lunch and School Breakfast Programs County Superintendents of Schools Diocesan Superintendents of Schools	ISSUE DATE: March 2001
ATTENTION:	Food Services Directors	
SUBJECT:	Use of Cafeteria Funds - Update	
REFERENCE:	Title 7, Code of Federal Regulations (7 CFR), Office of Management and Budget, California Education Code, California School Accounting Manual, Management Bulletin 95-107 June 1995	

This Management Bulletin provides clarification on appropriate uses of nonprofit school food service funds. Since the Nutrition Services Division issued Management Bulletin 95-107 in June 1995, we have received a number of questions regarding the proper use of cafeteria funds. To assist nutrition program sponsors in ensuring fiscal integrity, this Management Bulletin summarizes these questions and the United States Department of Agriculture's (USDA) responses.

7 CFR 210.14(a) states, "revenues received by the nonprofit school food service are to be used only for the operation and improvement of such food service, except that such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings."

1. Q: Can school food service funds be used for the construction of lunch shelters and/or cafeterias?
A: No. USDA has recently denied requests from two school districts to use school food service funds for this purpose. USDA stated that "it is the district's responsibility to provide adequate facilities for their programs." As a general guideline, **using food service revenues to construct buildings is not allowed**. The cost of upkeep of grounds, necessary maintenance, normal repairs, and alterations are allowable to the extent that expenditures keep property "in an efficient operating condition and do not add to the permanent value of property or appreciably prolong its intended life." Costs incurred for ordinary and normal rearrangement and alteration of facilities (i.e., making room for a larger freezer or installing additional counter spaces) are allowable.
2. Q: Can school food service funds be used to lease a jukebox?
A: No. School food service funds may only be used to operate the school nutrition programs. "Operate" includes, for example, buying and storing food or preparing and serving meals. Although a jukebox may be located in the cafeteria to provide ambiance, it is not related to the operation of the school nutrition program as interpreted by USDA.
3. Q: It is commonly understood that food service funds cannot be used to paint a cafeteria, but what is the definition of "paint"? Is a mural or other graphics "paint"?
A: Painting is an allowable expense when it is used for the improvement of the school nutrition program. USDA encourages sponsors to be prudent in using program funds for such improvements.

As interpreted by USDA, using a substantial amount of food service funds for an expensive artist's commission for food service murals or other graphics would not be prudent. However, using food service funds to buy paint and materials for a mural by students to enhance the food service area would be prudent use.

4. Q: It is commonly understood that food service funds cannot be used for air conditioning. Can you clarify whether funds can be used for either the purchase of and/or installation of air conditioning? Can school food service funds be used for portable evaporative or air conditioning units?
A: The answer to both questions is "no." Although the work environment is greatly enhanced by air conditioning, USDA's interpretation is that air conditioning (or any other service system, such as telephone, gas, or electricity) is generally regarded as a district expense.
5. Q: Numerous food service departments are undertaking massive renovation of cafeterias, such as turning them into food courts. It is commonly understood that food service funds cannot be used to renovate a **dining** area but may be used to renovate a **serving** area. If the dining area also houses several serving areas, may school food service funds then be used for this type of renovation? Are waivers required?
A: USDA classifies renovations as either construction or non-construction. Non-construction-type renovations, such as remodeling or changing flooring, are allowable. Construction-type renovations are not allowable. USDA considers construction-type renovations to be anything that changes the dimensions of a structure, for example, moving or changing a wall. Schools wishing to use school food service funds for construction-type renovations may submit a request to the CDE for an exemption to 7 CFR 210.14(a). Refer to Section 11000 of the School Nutrition Programs Guidance Manual for information and procedures to request USDA exemptions.
6. Q: Can school food service funds be used to pay the salaries of staff whose duties are not related to a food services department **and** who are not completing any duties for a food services department?
A: No. Only the salaries and benefits of staff who work full or part-time in the food service operation may be paid from the funds in the school food service account. Staff who spend a portion of their day performing duties related to food service, such as secretaries processing applications or monitoring children while they eat, may be paid using food service funds for the portion of time spent on these duties.
7. Q: Can school nutrition program employees be provided meals, while on duty, at program expense?
A: Yes. Employees whose duties involve the preparation and service of meals, and personnel involved in supervising these functions, may be provided a meal at program expense. This also includes student workers.
8. Q: May cafeteria funds be used to pay for a menu board? The menu board is a lighted display with a 35-inch monitor, can use a video tape, and has audio for use with a tape or microphone.
A: This is an allowable expense if it is directly related to the service of meals and is located in the kitchen. However, if it is located in the cafeteria and the school district uses it for purposes other than food service, such as displaying sport scores, the district must share the burden of the cost, operation, and maintenance of the equipment.

9. Q: Can we use cafeteria funds to build a ramp leading to the kitchen?
A: This is not a "yes" or "no" question. It is best to check with a licensed contractor to determine what effect the addition of the ramp will have on the useful life and permanent value of the building. As stated in the answer to Question 1, the cost of alterations are allowable to the extent that they keep property in an efficient operating condition and do not add to the permanent value of property or appreciably prolong its intended life.
10. Q: Is the cost of transporting children to the cafeteria or central kitchen to attend a nutrition education activity an allowable cafeteria expense?
A: No. However, the costs associated with the actual nutrition education activity for students (such as food, utensils, paper products, or staff time) is allowable as long as the activity is not part of a regular nutrition class and the food service department is actively involved in the nutrition education activity.
11. Q: Are legal costs associated with the defense of a lawsuit (or other legal action) brought against us by an outside party (such as a parent or vendor) allowable?
A: The costs may be allowable. The decision to allow or disallow legal costs depends on whether:
- The sponsor is being sued as a result of its program responsibilities (allowable) or its non-program responsibilities (unallowable).
 - The sponsor followed the rules; for example, if the sponsor made disallowances in accordance with the regulations or provided due process (allowable).
 - The sponsor is being charged with a violation of federal law (unallowable).
12. Q: Can food service funds pay for gift items such as watches, pen sets, or plaques for food service employees when they retire or celebrate length of service, such as 25 years?
A: Awards of minimal value, such as length of service pins or certificates of appreciation, for food service employees may be purchased from cafeteria funds. Awards given to employees to improve performance are not allowable.

USDA encourages nutrition program sponsors to use prudent judgment and base their decisions about using food service funds on the guidance provided in applicable program regulations: OMB Circulars A-87, "Cost Principles for State, Local, and Indian Tribal Governments" for public school agencies and A-122, "Cost Principles for Nonprofit Organizations" for private nonprofit agencies. Program regulations may be requested by calling the Resource and Information Management Unit at (916) 445-0850 or (800) 952-5609. You may also download them from the Internet at the following addresses:

Code of Federal Regulations
<http://www.access.gpo.gov/nara/cfr/cfr-table-search.html>

OMB Circulars
<http://www.whitehouse.gov/OMB/circulars/>

If you have any questions, please contact Rae Dalimonte, Program Analyst, Nutrition Program Management Unit, at (916) 324-8794, (800) 952-5609, or rdalimon@cde.ca.gov.

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